

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SSO-00 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 7473

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EO 11652: N/A

TAGS: EWWT, CI

SUBJECT: DISCRIMINATORY SHIPPING PRACTICES

REF: (A) SANTIAGO 1589, (B) SANTIAGO 1590

1. SUMMARY. CONVERSATION WITH CHIEF, MARITIME DEPARTMENT OF MINTRANSPORT, ENCOURAGING WITH RESPECT BOTH TO WAYPORT CARGO PROBLEM AND NEW PROCEDURES. EMBASSY REMAINING SKEPTICAL UNTIL RESULTS MORE APPARENT. END SUMMARY.

2. ECON COUNSELOR CALLED ON MANUEL NUNEZ, CHIEF OF THE MARITIME DEPARTMENT OF THE MINISTRY OF TRANSPORT, TO DISCUSS IMPLICATIONS OF 98/431 (REFTELS). NUNEZ EXPLAINED THAT THE ALLOCATION OF CARGOES BETWEEN CHILEAN-FLAG AND US-FLAG SHIPS WILL BE MADE NOT ON THE BASIS OF TONNAGE, BUT RATHER ON THE BASIS OF FREIGHT CHARGES. NUNEZ UNDERSTOOD PERFECTLY OUR CONCERN LEST OUR US-FLAG SHIPS BE ASSIGNED THE LOW-PAYING CARGO. HE SAID THAT THE NEW PROCEDURE WAS INTENDED TO AVOID DISCRIMINATION ON THE BASIS OF REVENUE.

2. NUNEZ POINTED OUT THAT THE ALLOCATION WILL BE MADE ON A DAILY BASIS. CLEARLY, IT WOULD NOT ALWAYS BE POSSIBLE TO COME OUT WITH AN EXACTLY EVEN DIVISION AT THE END OF EVERY DAY. ANY RESULTING DISPARITY WOULD BE TAKEN INTO ACCOUNT IN NEXT DAY'S

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ALLOCATION, SO THAT THE CHILEANS AND AMERICANS WOULD REMAIN IN

ROUGH BALANCE. A REPORT WOULD BE REQUIRED BY THE MINISTRY OF TRANSPORT AT THE END OF EACH MONTH, WHICH WOULD ENSURE THAT THE CENTRAL BANK WAS DOING ITS BEST TO EQUALIZE THE DISTRIBUTION OF FREIGHT CHARGES.

3. ECON COUNSELOR THEN BROUGHT UP THE MATTER OF WAYPORT CARGO. NUNEZ POINTED OUT THAT THIS TOO WAS A MATTER OF CONCERN TO THE CHILEANS. THE PORT COMMITTEE, INCLUDING AMONG OTHERS A REPRESENTATIVE OF THE LEGAL ADVISOR TO THE JUNTA, LACKIN ON FROM

THE FOREIGN MINISTRY, AND A REPRESENTATIVE OF FOREIGN SHIPPING INTERESTS (PRESENTLY GRACE Y CIA) WAS CONSIDERING THIS QUESTION. THE OBJECTIVE WAS NEW LEGISLATION TO DIVIDE WAYPORT CARGO 50 PERCENT FOR CHILEANS AND THEIR ASSOCIATES, AND 50 PERCENT FOR FOREIGNERS. BY ASSOCIATES, NUNEZ ADDED, WAS MEANT TG 3 *9438&, *)-& :9.0-.83 8, 099) -44-&3.3,5S WITH THE CHILEANS. ECON COUNSELOR NOTED THAT WHILE PRUDENTIAL HAD A POOL ARRANGEMENT WITH THE CHILEANS ON SOUTHBOUND RUNS, THE SAME DID NOT APPLY NORTHBOUND. WOULD THE AMERICAN COMPANIES THEN FALL UNDER THE HEADING OF CHILEAN ASSOCIATES OR FOREIGNERS? NUNEZ REPLIED THAT IN THAT EVENT, THE AMERICANS WOULD COME UNDER THE HEADING OF FOREIGNERS.

4. ECON COUNSELOR POINTED OUT THAT ALTHOUGH IT DID NOT INTERFERE WITH ARRANGEMENTS FREELY NEGOTIATED BY US COMPANIES WITH FOREIGN SHIPPING LINES, THE US GOVERNMENT IN PRINCIPLE WAS OPPOSED TO POOLING ARRANGEMENTS. HE ADDED THAT HE HOPED THAT THE QUESTION OF WAYPORT CARGO WOULD BE SATISFACTORILY RESOLVED IN THE SHORTEST POSSIBLE TIME. WHAT HAD HAPPENED IN THE PAST FEW MONTHS HAD AVYAEADY OPENED IN WASHINGT

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NUNEZ AGREED AND VENTURED AS HIS PERSONAL JUDGMENT THE EXPECTATION THAT THE PORT COMMITTEE WOULD HAVE FINISHED ITS DELIBERATIONS AND DEVELOPED PROCEDURES FOR WAYPORT CARGO, ALONG THE LINE ALREADY MENTIONED, BY APRIL 15.

5. NUNEZ FURTHER NOTED THAT THERE WAS A COMPLICATING FACTOR IN THAT CHILE HAD ADHERED TO THE UNCTAD LINER CONFERENCE AGREEMENT, LIMITED OFFICIAL USE

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WITH ITS RESERVATION OF NOT MORE THAN 20 PERCENT WAYPORT CARGO FOR THIRD-COUNTRY FLAGS. SOMEHOW, HE SAID, THEY WOULD HAVE TO RECONCILE THEIR INTEREST IN HAVING FOREIGN FLAGS CARRY 50 PERCENT WITH THIS 20 PERCENT STIPULATION. ECON COUNSELOR NOTED THAT USG HAD OPPOSED THIS AGREEMENT. NUNEZ AGREED THAT IT REFLECTED THE INTERESTED OF LDC'S MORE THAN OF DEVELOPED COUNTRIES.

6. NUNEZ CONCLUDED BY PRONOUNCING HIMSELF PERSONALLY IN FAVOR

OF THE PRINCIPLE OF FREE COMPETITION ESPOUSED BY THE PRESENT
GOC ECONOMIC TEAM. GLANCING SIGNIFICANTLY UPWARD (I.E., TOWARD
THE MINISTER'S SUITE), HE SAID THAT OTHERS IN THAT BUILDING
WERE NOT YET OF THIS VIEW. CHILE FROM NOW ON WOULD DEPEND MORE
AND MORE ON EXPORTS AND THIS IN TURN IMPLIED A MORE OPEN POLICY
WITH REGARD TO SHIPPING.

7. COMMENT. GIVEN PAST DISAPPOINTMENTS, EMB STILL NOT TAKING
ANY WOODEN NICKELS. WE PLAN TO STAY IN CLOSE TOUCH WITH US-
FLAG REPS, AND TO URGE CONCERNED GOC AGENCIES TO RESOLVE WAYPORT
PROBLEM TO THE SATISFACTION OF THESE COMPANIES. EMB REMAINS
MINDFUL OF IMPORTANCE OF NOT COMPROMISING BY DIRECT NEGOTIATION
WITH GOC PRINCIPLE OF OPEN COMPETITION ESPOUSED BY USG.
MEANWHILE, HOPE DEPARTMENT WILL CONTINUE WITH SECTION 21
PROCEDURE.
POPPER

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